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ZNR UUUUU ZZH
R 030459Z MAR 08
FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 2534
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 1861
RUEHAR/AMEMBASSY ACCRA 1792
RUEHDS/AMEMBASSY ADDIS ABABA 1918
RUEHRL/AMEMBASSY BERLIN 0497
RUEHBY/AMEMBASSY CANBERRA 1195
RUEHDK/AMEMBASSY DAKAR 1552
RUEHKM/AMEMBASSY KAMPALA 1974
RUEHNR/AMEMBASSY NAIROBI 4405
RUEHGV/USMISSION GENEVA 1045
RUEAAIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHAAA/NSC WASHDC
RMFIISS/EUCOM POLAD VAIHINGEN GE
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK

UNCLAS SECTION 01 OF 04 HARARE 000163

SIPDIS

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEAE AND T.RAND
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [ZI](#)
SUBJECT: Zim Notes 02-29-2008

¶1. The Embassy Harare Political/Economic Section began producing Zim Notes in July, 2007 to present a perspective on current events in Zimbabwe. Suggestions are always welcome. If you would like to receive Zim Notes by email, as well, please contact Frances Chisholm at chisholmfm@state.gov. Distribution is restricted to U.S. government employees.

Price Movements-Exchange Rate and Selected Products

¶2. *Parallel rate for cash soared to ZW\$20million:US\$1;
Bank transfer rate: Z\$25million;
Official rate: ZW\$\$30,000:US\$1
Sugar rose to Z\$20million/2kg vs. controlled price of
Z\$8million/2kg
Cooking oil rose to Z\$22million/750ml vs. controlled price of
Z\$9.3million/750ml
**Petrol and diesel more than doubled to Z\$30million/liter vs.
controlled price of Z\$60,000/liter

On the Political/Social Front

¶3. 25,000 Attend MDC Rally... MDC (Movement for Democratic Change) President Morgan Tsvangirai launched his presidential campaign on February 23 in the picturesque Eastern Highlands city of Mutare located in Manicaland province Q the ancestral home of both Tsvangirai and rival presidential hopeful Simba Makoni. The

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Tsvangirai faction was pleased that local police allowed the crowd

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to move from the bus and train stations to the rally site without incident. Tsvangirai addressed an enthusiastic crowd of 25,000 blaming the government's disastrous economic policies for destroying Zimbabwe's once booming economy and leaving millions of its citizens unemployed and hungry. The former labor leader acknowledged the need for assistance from the international community to bring about an economic recovery, but also said Zimbabweans must count on themselves. Upon hearing about the size and success of the rally, Mugabe reportedly said Where is Makoni, I thought he was going to take some of Tsvangirai's support.

¶4. With this week's release of its manifesto and policy papers, the MDC Tsvangirai faction is in full campaign mode. During the week, Tsvangirai went on walkabouts in the high density suburbs of

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Harare, talking with residents about his ideas for addressing the unprecedented levels of poverty, unemployment and hunger. Tsvangirai told us there are plans for more rallies in the cities

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and towns; they are also rolling out a networking campaign strategy for the rural areas.

¶5. Makoni Launches Rallies This Weekend... Independent presidential hopeful Simba Makoni, the former Finance Minister who was recently expelled from ZANU-PF for challenging Mugabe for president, will officially launch his campaign this weekend at rallies in Bulawayo on March 1 and Harare the next day. With a rising sun representing a new dawn in Zimbabwe as his formation symbol, Makoni has generated great interest around the country with his last minute entry into the race. Anecdotal reports suggest large numbers of potential voters registered to vote immediately after his announcement, but skepticism still remains among voters about his motives and authenticity. What also remains to be seen is whether disgruntled ZANU bigwigs come out in his support.

¶6. A Run-Off Presidential Election Could Be In the Cards... Zimbabwe is abuzz with the idea of a possible run-off in the upcoming presidential polls. With Simba Makoni throwing his hat in the ring along with Mugabe and MDC opposition leader Morgan

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Tsvangirai, there are now three viable candidates contesting for

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State House. The Electoral Act states that the successful presidential candidate must receive a majority of the total number of valid votes cast i.e., at least 50 percent plus one vote. If that does not occur, a run-off election must be held within 21 days between the top two candidates. If the second election results in a tie, Parliament sits as an electoral college to decide between the two candidates by secret ballot and without debate. In the 2002 presidential election, Tsvangirai secured 42 percent of the votes, with the majority of these being in the urban areas, against Mugabe's 56 percent which was predominantly in the rural areas. With nearly 3 million votes cast in the 2002 contest which was blatantly stolen from Tsvangirai by rigging, the difference between Mugabe and Tsvangirai was only about 425,000 votes. Many political analysts believe a run-off will only come into play if ZANU break-away Makoni is able to lure some of Mugabe's rural support.

¶7. Teachers Out On Strike, Again... Following on the heels of the abduction and brutal attack on nine Progressive Teachers' Union of Zimbabwe (PTUZ) members by ZANU-PF youths last week, Zimbabwe Teachers' Association (ZIMTA) on February 28 called for teachers to go on a full-scale strike until a minimum monthly salary of ZW\$3.5 billion (US\$140 at the parallel bank transfer rate) and other demands are met. ZIMTA, representing 55,000 of the roughly 110,000 teachers in the country, told us that teachers were angry with rumors that military and police received large bonuses ahead of elections while the government has failed to make good on teachers retention allowances, as agreed in January. The strike comes at a volatile time as teachers - influential opinion makers in communities - sit at home disgruntled, and parents scramble to deal with idle children as elections approach. Moreover, teachers

normally serve as the bulk of poll workers during elections. ZIMTA said the Zimbabwe Elections Commission (ZEC) had yet to contact the teachers to serve as poll workers, but if and when it does, the labor group would QunofficiallyQ encourage its members not to participate in light of the labor action. Morgan Tsvangirai told us that ZEC faces a real problem if they choose to by-pass the disgruntled teachers or if teachers make themselves unavailable. One would then expect to see plain-clothed military and police serving as poll workers on Election Day Q which would be a violation of the amended Electoral Act.

¶8. USAID DAA Franklin Moore Visits Zimbabwe Programs... Starting his Washington posting by visiting field operations, USAID Deputy Assistant Administrator for Africa Franklin Moore spent three days in Zimbabwe meeting with civil society leadership, discussing strategy with the donor community, and monitoring programs. A former resident of Zimbabwe, Moore expressed surprise at the drastic decline in the state of the infrastructure and of the economy. Joined by USAID's Director of the Office for Southern African Affairs Eric Loken, Moore discussed the political future with opposition party leader Morgan Tsvangirai and other heads of civil society organizations. Moore attended a Prayer Breakfast with civil society leaders; toured a New Start HIV counseling and testing center and the office of the Counseling Services Unit; visited Joint Initiative project sites in Chitungwiza related to shelter, education, and livelihoods support; and met with a leading economist, banker, and business people representing the private sector and agrarian sector to learn more about the state of the economy. In separate discussions, USAID partners raised linkage between humanitarian and development programs and potential ways to alter some relief strategies to help sustain the livelihoods of beneficiaries. Moore and Loken are joining Ambassador McGee and USAID Mission Director Karen Freeman at the SADC region Heads of Mission Conference in Cape Town this week, where Zimbabwe is a featured topic of discussion.

¶9. QThe HeraldQ Publishes U.S. AmbassadorQs Op-ed On Voting Rights.... The GOZ-controlled QThe HeraldQ newspaper surprised us

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and published, unabridged, on February 25 an opinion piece by Ambassador McGee urging Zimbabweans to exercise their voting rights in the forthcoming elections. But it also ran a half page piece in the same issue titled, QU.S. interest in ZimQ elections baffling, noting that QArtists, be they musicians, painters, sculptors or writers, thrive on the skill of concealing messages in their artworks,Q and stating that the opinion piece had an Qalarmist, vague and sometimes condemnatory manner.Q In addition, it carried a full page diatribe the next day headlined "U.S. Enemy of Zim Democracy." See full editorial at <http://harare.usembassy.gov>.

Economic and Business News

¶10. *The Zimbabwe Dollar Continues To Swoon... The local currency continued to depreciate sharply on the parallel market with the cash rate falling from Z\$6million to Z\$20 million:US\$ in February while the bank transfer rate dropped from Z\$7million to Z\$25 million:US\$. The Reserve Bank of Zimbabwe continues to drive the market as it struggles to raise foreign exchange by any means.

¶11. ZECO Listing Lifts Zimbabwe Stock Exchange... ZECO Holdings, an engineering and construction company, listed on the ZSE at four times its initial public offer price. ZECO Holdings was set up recently to consolidate the ownership of Delward and Crittal-Hope, both owned by Native Investments which, in turn, is owned by the former ZANU-PF chairman for Mashonaland West, Phillip Chiyangwa. Native Investments had an 82.58 percent stake before the listing and now controls 66.05 percent of the new company. The performance followed a surprisingly successful IPO which was oversubscribed by 1.5 times, brushing aside negative sentiments arising from worsening economic fundamentals and the companyQs link with Chiyangwa.

¶12. ZECO's performance has lifted the whole market, which, in addition, is being driven by surplus conditions on the money market

as well as the run in the parallel exchange rate. ZSE market capitalization is now \$67.6 quadrillion (US\$2.68 billion at the parallel bank transfer rate); industrials are up 171.2 percent this year. Satisfied with his first IPO, Chiyangwa promised to come back to the stock market to take another of his companies - Pinnacle Property Holdings - public.

¶13. **Price Spikes As Fuel Supply Tightens... Many Caltex service stations did not receive fuel deliveries this week, but fuel was available at Direct Fuel Import (DFI) service stations at US\$1.25-US\$1.30 per liter (roughly US\$5/gallon). The QZimbabwe IndependentQ reported today that fuel shortages are looming as government has started stocking diesel and petrol for the election campaign and the National Oil Company of Zimbabwe (NOCZIM) has been directed to hold on to the fuel they have imported on behalf of private companies.

¶14. Grim Results From Mining And Construction Sectors... RioZim recorded a significant decline in minerals production and real earnings during the second half of 2007. Production at the Renco gold mine, the Empress Nickel Refinery, and Murowa Diamonds fell sharply while coal from the Sengwa Colliery held steady. Adverse factors included an unrealistically low gold support price, the continued failure by the Reserve Bank to pay the foreign currency component of gold deliveries (which consequently compromised RioZimQs ability to discharge its foreign liabilities), power outages and an inconsistent supply of oxygen, as well as an uncompetitive exchange rate. Moreover, RioZim was not spared the problem of skills flight which is crippling production at most mining houses. According to the Chamber of Mines, this factor is set to lead to a further decline in minerals production until working conditions and remuneration improve.

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¶15. At the manufacturing arm of Murray and Roberts Zimbabwe, one of ZimbabweOs leading construction and engineering companies, capacity utilization fell to 10-15 percent in the second half of 2007. Price controls and water and power cuts played havoc with production, according to CEO Canada Malunga at an analyst briefing this week. Looking ahead, M and R is focusing on toll manufacturing. On the construction side, analysts concur that the short to medium term outlook for the company is grim and only an economic recovery will revive operations. Imara Asset Management noted that the scope for the repair of roads, water pipes and the sewer system alone presents vast opportunities that the company could exploit. But these capital-intensive projects would most probably have to be funded from external sources and these sources will remain elusive until the political situation stabilizes.

¶16. Quote Of The Week From Murray and Roberts CEO Canada Malunga At AnalystsQ Briefing This Week:

QEEveryday we are recruiting to train new students from Harare Polytech, Bulawayo Polytech, UZ (University of Zimbabwe) and NUST (National University of Science and Technology) but also losing trained people each day. In other words we have diversified into tertiary education... there are also employees who come for less than three months and leave for Botswana, just to have Murray and Roberts on their CVs.

DHANANI